



# European Cloud Competition Observatory

Second Report on Microsoft

May 2025



The European Cloud Competition Observatory (ECCO) was established as part of CISPE's agreement with Microsoft to resolve CISPE's competition complaints. ECCO is an independent monitoring body composed of CISPE members, with the support—acting as observers—of European customer organizations such as Cigref (France) and Beltug (Belgium). It operates independently under the auspices of CISPE.

### **Mandate and Scope**

ECCO's initial role is to assess and report on Microsoft's progress in fulfilling the commitments outlined in the Memorandum of Understanding (MoU) signed between CISPE and Microsoft in July 2024. Guided by CISPE and European customer organizations, ECCO will also monitor the behaviour of other software companies, including Broadcom/VMware, whose practices may limit cloud choice for European customers.

This report offers a comprehensive assessment of Microsoft's progress toward fulfilling the MoU. To enhance clarity, ECCO has implemented a Red/Amber/Green (RAG) status rating for each issue evaluated:

- **Green** – On track: significant and sufficient progress is being made to end unfair software licensing practices.
- **Amber** – Some concerns exist but corrective actions have been proposed.
- **Red** – Critical: insufficient progress has been made as of the report date.

# Microsoft MOU Progress Status – May 2025

**Overall Status = AMBER**

## Product-Based Approach and Initial Development

CISPE and Microsoft initially agreed to co-develop and promote a new multi-tenancy version of an existing product (Azure Stack HCI, renamed Azure Local) to enable CISPE members to deliver hybrid cloud applications that replicate many Azure benefits on infrastructure owned by European providers. The new product was intended to address alleged unfair licensing concerns by including:

- a. Multitenancy support for multiple customer workloads, including oversubscription/overcommitment of CPU, RAM, storage, and network.
- b. Unlimited virtualization and multi-session Virtual Desktop Infrastructure (VDI) for Windows 10, 11, and future versions.
- c. Pay-as-you-go (PAYG) licensing for SQL Server.
- d. Free Extended Security Updates (ESU).

Both parties recognized that delivering this product could open numerous business opportunities for CISPE members and the broader technology ecosystem.

## Transition to Commercially Equivalent Solutions (Plan B)

The MoU provided for a “Plan B” if, after nine months (by 10 April 2025), the product-based solution was not able to meet its objectives. **Both Microsoft and CISPE have now agreed that Azure Local will not deliver the full set of features outlined in the Agreement.**

Accordingly, CISPE and Microsoft have mutually agreed to conclude this first phase and transition toward alternative, commercially equivalent solutions. These solutions are to be delivered through existing Microsoft programmes, without additional software development.

This new phase is in early stages. Microsoft is required to submit formal proposals by 10 July 2025, the first anniversary of the MoU.

***CISPE and Microsoft have mutually agreed to end this first phase of the Agreement and to instead focus on alternative commercially equivalent approaches to meeting the fair licensing commitments outlined in the Agreement.***

## Commercially Equivalent Solutions: Expectations and Progress

1. Microsoft must present acceptable alternatives and discussions continue related to free ESU, unlimited virtualization, multi-session VDI (Windows 10, 11, future versions), and PAYG SQL licensing—delivered through existing licensing channels.
2. The shared objective remains: fair licensing for Microsoft software on European multitenant cloud infrastructures.
3. Recent discussions between CISPE and Microsoft have been positive, with constructive engagement on shaping potential alternatives.
4. A call covering PAYG approaches has been scheduled.
5. Microsoft has until 10 July 2025 to submit its proposed commercially equivalent solutions.
6. CISPE remains confident in a positive and meaningful outcome within the terms of the Agreement.

## SPLA Program Support and Sustained Competitiveness

1. CISPE members believe SPLA product price increases are not matched by Azure license pricing trends.
2. Microsoft maintains that disconnected software and connected cloud services differ in the value they deliver.
3. Discussions on this issue remain ongoing, candid, and robust.
4. ECCO is cautiously optimistic that Microsoft's new proposals will also address this concern.

## ECCO Summary of Progress on the Microsoft MOU with CISPE

CISPE and Microsoft continue to foster a cooperative working relationship, openly addressing both current and emerging concerns. Although the initial product-based solution did not succeed, this shift to a new phase creates space for innovation and strengthens the commitment to new business opportunities and fair licensing solutions in Europe.

ECCO believes that commercially viable alternatives, aligned with the MoU, can be agreed upon.

As a result, ECCO currently rates the Microsoft MOU status as Amber and will reassess after receiving Microsoft's proposals in July 2025.

## About ECCO

The European Cloud Competition Observatory (ECCO) was created as part of CISPE's anti-competition settlement agreement with Microsoft. ECCO is an independent monitoring body comprising CISPE members plus the support, as observers, of European customer organizations, such as Cigref in France and Beltug in Belgium. It operates as an independent body under the auspices of CISPE.

